

**Note: Higher level questions are marked with an asterisk\***

#### 4. Meditor

Casey, one of your friends, has recently inherited a small shareholding in an Irish company, Meditor Ltd, which manufactures diagnostic medical equipment. Casey knows very little about the company but has acquired extracts from its two most recent statements of financial position.

<b>Meditor Ltd</b>				
Statements of financial position as at 30 September				
	2023		2022	
	€'000	€'000	€'000	€'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property		3,500		2,240
Plant and equipment	2,230		2,100	
Less: depreciation	<u>1,915</u>		<u>1,580</u>	
		<u>315</u>		<u>520</u>
		3,815		2,760
<b>Current assets</b>				
Inventory	521		420	

Carey & Knowles: Accounting - A Smart Approach  
Chapter 6 - Company Accounts  
Practice questions

Trade receivables	440		381	
Cash	<u>640</u>		<u>—</u>	
		<u>1,601</u>		<u>801</u>
<b>Total assets</b>		<b><u>5,416</u></b>		<b><u>3,561</u></b>
<b>EQUITY AND LIABILITIES</b>				—
<b>Equity</b>				
Ordinary share capital	1,000		700	
Share premium	600		—	
Revaluation reserve	1,260		—	
Retained earnings	<u>2,308</u>		<u>1,942</u>	
		5,168		2,642
<b>Non-current liabilities</b>				
Loan		—		600
<b>Current liabilities</b>				
Bank overdraft	—		111	
Trade payables	<u>248</u>		<u>208</u>	
		<u>248</u>		<u>319</u>
<b>Total equity and liabilities</b>		<b><u>5,416</u></b>		<b><u>3,561</u></b>

Note: No depreciation is provided on property.

**REQUIRED:**

Based on the statements of financial position, answer the following questions for Casey.

Explain your answers.

- a) Casey has not been given a copy of the statement of profit or loss. Did the company make a profit during the year ended 30 September 2023?
- b) What is the company's most significant asset?
- c) How has the long-term funding of the company changed during the year ended 30 September 2023?
- d) Casey comments that it looks as if the company bought new properties during the last year. Did it?
- e) The company owns significant amounts of plant and equipment. Have these assets been purchased recently?
- f) What can you tell about how the company's cash position has changed during the year to 30 September 2023?

**5. Brewce Ltd**

Brewce Ltd builds houses and apartments in the South East of England. The following trial balance was prepared for the company, after the statement of profit or loss for the year ended 31 March 2021, had been prepared:

	<b>Debit</b>	<b>Credit</b>
	<b>£'000</b>	<b>£'000</b>
Ordinary share capital <sup>1</sup>		5,000

Carey & Knowles: Accounting - A Smart Approach  
Chapter 6 - Company Accounts  
Practice questions

---

6% Preference shares <sup>1</sup>		2,000
5% Debentures (Redeemable December 2021) <sup>1</sup>		3,000
Share premium		750
Property, at net book value	8,180	
Plant and equipment, at net book value	1,411	
Inventories at 31 March 2021	3,671	
Trade receivables	576	
Trade payables and accruals		994
Bank balance	157	
Profit for the year		995
Ordinary dividend paid	300	
Preference dividends paid	120	
Retained profits at 1 April 2021		1,676
		<hr/>
	14,415	14,415

---

**Notes:**

1. There were no share or debenture issues or redemptions during the year.
2. Taxation can be ignored.

**REQUIRED:**

- a) Prepare the statement of changes in equity for Brewce Ltd for the year ended 31 March 2021, and the statement of financial position as at that date.
- b) Describe one difference and one similarity between preference shares and debentures.

**\*6. Shirley**

Shirley is a shareholder in Courtney plc, who run a chain of supermarkets, and she has been looking at their most recent financial statements. She has some business knowledge but cannot understand some of the financial statements and some of the terminology used.

**REQUIRED:**

- a) Explain the significance of the operating profit figure and how it differs from the profit for the year.
- b) What does the statement of financial position reveal about a company?
- c) What does the statement of changes in equity reveal that cannot be seen from the statement of financial position?
- d) Explain the following terms from the statement of financial position:
  - Share premium
  - Revaluation reserve
  - Preference shares.
- e) Explain why the company is able to pay preference dividends and yet not pay any ordinary dividend for the last two years.
- f) Describe what is meant by corporate governance and outline the basic principles that guide corporate governance practice.

**\*7. Atlas plc**

The following trial balance was extracted from the books of Atlas plc at 31 January 2021:

---

Carey & Knowles: Accounting - A Smart Approach  
Chapter 6 - Company Accounts  
Practice questions

---

	<b>DEBIT</b>	<b>CREDIT</b>
	£'000	£'000
Operating profit		9,456
Property, at net book value <sup>1</sup>	67,000	
Plant and equipment, at net book value	27,525	
Inventory as at 31 January 2021	3,610	
Trade receivables	4,339	
Trade payables		6,503
Bank overdraft		1,847
Debenture interest paid <sup>2</sup>	240	
Preference dividends paid	200	
Ordinary dividend paid	1,500	
6% Debentures		8,000
4% Preference shares of £1 each		5,000
Ordinary shares of £1 each		50,000
Share premium		6,000
Retained profits at 1 February 2020		17,608
	<hr/> <hr/>	<hr/> <hr/>
	104,414	104,414

**Notes:**

1. The company's properties were re-valued at £75 million in January 2021 and this valuation is to be reflected on the statement of financial position.
2. Debenture interest is owed for the 6 months to 31 January 2021.
3. Taxation on profits for the year is estimated at £2.6 million.
4. There were no share or debenture issues or redemptions during the last financial year.

**REQUIRED:**

- a) Starting from the operating profit, complete the statement of profit or loss for the year.

- b)** Prepare the statement of comprehensive income for the year ended 31 January 2021 for Atlas plc.
- c)** Prepare the statement of changes in equity for the year ended 31 January 2021 and the statement of financial position as at that date.
- d)** If Atlas plc issues 10 million ordinary shares in March 2021 at £1.50 per share, what will the effect be on:
- the bank account
  - the ordinary share capital
  - the share premium?